

REPORT TO THE HONORABLE
MAYOR AND CITY COUNCIL
SAN DIEGO GAS & ELECTRIC FRANCHISE TRANSFER

Merger and acquisition plans have been announced concerning San Diego Gas & Electric (SDG&E) and two other electric power utilities, Tucson Electric Power (TEP) and Southern California Edison (Edison). The City of San Diego and its citizens have an enormous stake in the outcome of any merger or acquisition affecting SDG&E.

For more than 30 years, the City and its citizens/ratepayers have been represented by the City Attorney in regulatory matters before the California Public Utilities Commission (CPUC) and various federal agencies. Before any merger or acquisition involving SDG&E can take effect, regulatory approval is necessary. As usual, the City Attorney will participate fully in all proceedings leading to that approval or its rejection.

It is my policy not to take a final position in any utility regulatory proceeding until all evidentiary hearings are completed and all documentary evidence has been submitted. Therefore, no position in favor or against any merger or acquisition is appropriate at this time.

You should know, however, that Section 15 of SDG&E's gas franchise (Ord. No. 10465(N.S.)) and Section 16 of its electric franchise (Ord. No. 10466(N.S.)) are identical:

NO TRANSFER WITHOUT CONSENT

Grantee shall not sell, transfer or
assign this franchise or the rights and
privileges granted thereby without the consent
of the City Council of the City of San Diego
as set forth in Section 103 of the Charter of
The City of San Diego.

Charter Section 103 provides: "No franchises shall be transferable except with the approval of the Council expressed by ordinance."

Deputy City Attorney William S. Shaffran will represent us at next Monday's CPUC pre-hearing conference, to be held in San Francisco, on the merger/acquisition proposals between SDG&E and TEP. He will place the Council-approval requirements of the Charter and franchises in the CPUC record at that time. At the appropriate time in the Edison-SDG&E proceedings, he will do the same thing. He will also request all hearings on the

acquisitions or merger to be held in San Diego.

You will be kept informed of all developments in the future.

Respectfully submitted,

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City Attorney

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